



FOR IMMEDIATE RELEASE

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## MAYOR JERRY SANDERS FACT SHEET

### **SAN DIEGO FACES LARGE DEFICIT NEXT YEAR DUE TO DECLINING TAX REVENUES, INVESTMENT LOSSES**

The ongoing national recession continues to have a significant impact on cities across the nation, and the city of San Diego is no exception.

Due to declining tax revenues and investment losses on Wall Street, the city of San Diego will face a projected budget deficit next year of \$179 million, Mayor Jerry Sanders announced today.

Over the past 15 months, the city of San Diego has cut \$175 million from its budget. Because of organizational and pension-related reforms, as well as \$43 million in employee compensation cuts, the city was able to protect public services.

Sanders, however, warned today that solving next year's deficit will require that cuts be made into services across the city.

"A deficit this size is so significant that we can no longer shield the public from its impacts," said Sanders. "As we begin putting together a solution to close our budget gap, we will examine every responsible alternative to cutting services. But make no mistake about it, there will be cuts and the public will feel them."

Added Sanders: "I will work with the City Council and the public throughout this process. But I can tell you that every City department – including police and fire – will be impacted, and there will be lay-offs."

Other cities are also facing budgetary challenges due to the recession. For example:

<i><b>CITY</b></i>	<i><b>DEFICIT</b></i>
San Jose	\$169 Million
Los Angeles	\$403 Million
San Francisco	\$750 Million

San Diego's deficit is the result of a \$67 million decline in tax and other revenues, an additional \$57 million the city will pay from the general fund into the pension system because of investment losses, and \$32 million the city will pay as part of the McGuigan legal settlement, which remedies pension underfunding by previous administrations.

"Our City Council deserves a lot of credit for the tough decisions they have made over the past year to address the economic realities we face," said Sanders, who was joined at the news conference by Council President Ben Hueso, and councilmembers Tony Young and Kevin Faulconer, who serve respectively as chair and vice chair of the city's Budget and Finance Committee. "As we look to next year, however, these decisions are only going to get tougher."

Sanders said that the sooner he and the city council can begin addressing the deficit, the less the city will have to cut from the budget.

"I've always believed that when we have tough problems, we need to step up immediately and begin working on them. These decisions will only get more difficult the longer we wait," said Sanders. "It won't be easy, but I assure you we will get through this difficult period."

Sanders will now begin working with his financial management team to develop options for meeting the city's budgetary challenges.

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